

CALIFORNIA HIGH-SPEED RAIL AUTHORITY MEETING MINUTES

**May 20, 1998
Kern County Board of Supervisors Chambers
Bakersfield, CA**

OPENING REMARKS

Vice Chairman Graveline called the meeting to order and welcomed the audience to the meeting. He stated that Chairmanman Jordan and Members Epstein and Bates had conflicts with their schedule and could not attend the meeting. Vice Chairmanman Graveline added that the Authority met in Executive (closed) session on May 19th to interview candidates for the Executive Director position. Due to the absence of some of the members, Vice Chairman Graveline stated that the Authority will be postponing the decision on the Executive Director until the entire Authority can have an input on this action item.

APRIL 29TH - MEETING MINUTE APPROVAL

Member Morshed moved to approve the April 29th meeting minutes. Member Fowler seconded and the minutes were unanimously approved.

DISCUSSIONS AND DECISIONS ON ACTION ITEMS

Vice Chairman Graveline stated that at the April 29th meeting, in San Jose, Chairman Jordan directed Member Morshed and the Vice Chairman to work with Cambridge Systematics to look at the role of the Chairman as it relates to the Executive Director and the members. He added that these meetings had taken place and that the Proposed Resolutions 4-3 through 4-5 were the result of these meetings.

FORMALIZING ROLE OF THE CHAIRMAN AND FORMALIZING AUTHORITY OF THE EXECUTIVE DIRECTOR:

- **Resolutions 4-3 through 4-7:** Member Tennenbaum motioned that the Proposed Resolutions 4-3 through 4-7 be approved. Member Florez seconded and the motion unanimously approved.

Vice Chairman Graveline stated also at the April 29th meeting there was some discussion regarding the specific members taking on an active role in their areas of expertise. Specifically Member Tennenbaum being a liaison with the public financing team, Members Bates and Stapleton work on efforts in Northern California, and Member Fowler to work on the Corridor Evaluation, Member Bates would work with the public outreach team, Member Florez would oversee the Ridership and Economic Impact study, and finally Member Stapleton would oversee the Authority's association with the labor unions.

TECHNICAL STUDY WORKPLANS:

- **Resolution 5-2:** Member Morshed motioned to accept the resolution. Member Tennenbaum seconded and the motion was unanimously approved.
- **Resolution 5-3:** Vice Chairman Graveline stated that at the April 29th meeting a resolution was passed directing the staff to begin the sole source procurement process with the key individuals or firms that prepared the corridor evaluation studies for the High-Speed Rail

Commission. He suggested that possibly the Authority should consider putting some of the technical evaluations out for bid. Member Florez stated that he felt it would be beneficial to get a fresh perspective regarding the corridor evaluation. Member Fowler inquired into the time difference between a sole source and the RFP process. Dan Leavitt indicated that the sole source process takes approximately one month, and the RFP process takes as little as two months. Member Tennenbaum asked whether or not the proposals are negotiable. Mr. Leavitt stated that the contracts can be negotiated. Member Stapleton asked if putting this contract out for bid would be in essence reinventing the wheel. Vice Chairman Graveline stated that he did not believe that the entire study would be redone. He added that the previous studies were extremely comprehensive and large, and that other firms should have an opportunity to work on the project. Member Stapleton asked about the amount of resources already spent on the former contractor. Mr. Leavitt stated that the past commission work totaled \$800,000, also the State had invested resources for the L.A. to Bakersfield feasibility study which was a \$4,000,000 study. Mr. Leavitt went on to stated that the work outlined in this corridor evaluation would be additional work that was not performed for the Commission or the State feasibility study. Member Florez stated that the previous studies needed to be honed in and the economic impacts need to be refined. Member Morshed stated that he concurred with Member Florez, additionally he felt that the Statewide Rail Plan RFP should be issued prior to the Corridor Evaluation. He added that the sole source contracts are very difficult and are heavily scrutinized by DGS. Vice Chairman Graveline asked for a motion to begin the RFP process. Member Florez so moved and the motion was seconded by Member Morshed and unanimously approved. Vice Chairman Graveline suggested that members Fowler and Stapleton be involved in the monitoring of the RFP process. Member Fowler and Stapleton agreed.

Vice Chairman Graveline introduced and thanked the Mayor of Bakersfield. The Mayor welcomed the Authority to the City of Bakersfield. He stated the high-speed rail project is the future of transportation in the State of California and possibly the entire United States. He added that in order for high speed rail to be successful it needed to be accessible to the people. The Mayor thanked the Authority for picking Bakersfield for the meeting. Vice Chairman Graveline thanked the Mayor for his hospitality.

APPROVAL OF THE COMPREHENSIVE STATEWIDE RAIL PLAN RFP:

- **Resolution 5-4:** Member Tennenbaum moved to accept the resolution. Member Stapleton seconded and the motion was unanimously approved. Vice Chairman Graveline requested that Members Morshed and Tennenbaum be involved in the monitoring of the RFP and evaluation process. Members Morshed and Tennenbaum agreed.

Presentation of Public Outreach Workplan

MAX BESLER AND KRIS DEUTSCHMAN - TOWNSEND, RAIMUNDO, BESLER & USHER

Mr. Besler and Ms. Deutschman presented the proposed public outreach plan. Member Tennenbaum expressed a concern regarding Orange County not being represented sufficiently in the focus groups. Mr. Besler stated that they have designed the focus groups to include a sufficient representation from Orange County. Member Fowler stated that Ventura/Santa Barbara area should also be sufficiently represented. Mr. Besler stated that the way that they have the focus groups set-up that they will sufficiently cover the entire State and get the range of opinions to move forward. Member Tennenbaum requested that as part of the first periodic report that they provide an overview of how they selected the subjects and locations, and the weight given for the focus groups. Mr. Besler stated that they would provide this information.

Vice Chairman Graveline asked if they have developed a plan to do some coordinated training for the members for speaking engagements. Mr. Besler responded that they are currently working on talking points for the members and as things get rolling they will be working with each member. Member Florez stated that based on his speaking engagements that visuals have been very effective in getting the public educated. Mr. Besler stated that they can put together a two to three minute video. Member Morshed suggested that an advisory group comprised of State, local officials as well as the general public be developed. Mr. Besler agreed with Member Morshed and stated that this should be done early on in the process because they would be an excellent resource, he added the Council of Governments would be a starting point in developing an advisory committee. Member Fowler stated that part of the workplan was to develop a list of stakeholders and a list of contacts, he felt that this should be provided to the members for their input. Mr. Besler stated that the input from the members would be a key element in the process. Member Fowler stated that it is important that the Authority as well as the other members of the various teams to have the understanding of where the communities stand. Vice Chairman Graveline stated that it is his understanding that at the July meeting the Authority will be presented with a list of deliverables and a plan for adoption. Mr. Besler concurred. Member Tennenbaum asked for clarification regarding the delivery of the interim reports. Mr. Besler stated that they will begin providing the interim reports in the next couple of weeks. Vice Chairman Graveline inquired into when the talking points will be available. Mr. Besler stated that they will be providing those in a few days. Mr. Besler's presentation material is available upon request.

Presentations from Local/Regional Transportation Agencies:

RON BRUMMETT, KERN COUNTY COUNCIL OF GOVERNMENTS

Mr. Brummett welcomed the Authority to Bakersfield. He addressed the transportation problems faced by Kern County. He discussed the High-Speed Rail Terminal Study stating that the terminal location would become a major activity center not only in Bakersfield but the southern San Joaquin Valley. The High-Speed Rail Terminal Study investigated six sights within the Bakersfield metropolitan area, three of these sights were located within the developed community and three were in suburban locations. The downtown sight was selected as the best sight for the metropolitan Bakersfield area. Mr. Brummett stated that in December 1997 seven agencies in the Bakersfield metropolitan area completed a major transportation investment strategy. This strategy developed a multi-mode action plan to support the growth over the next 20 years. A key component of this strategy was the location of the high-speed rail station in downtown Bakersfield. He concluded by stating that the land use and transportation planning has supported the high-speed rail system they are looking forward to working with the Authority. Member Morshed stated that the central valley is projected to grow in a substantial way, however the State is not addressing the transportation needs of these communities, the Authority's responsibility is to adequately address the needs of these communities. Member Florez asked what is the general consensus, from the COG's perspective, regarding the alignment study for Bakersfield. Mr. Brummett stated that the economic studies provided an overview, he stated that they needed to know what the impact is going to be for an urban and suburban station location, not only looking at what it is going to be worth to the community but what is it going to cost to the community.

ROY WEYGAND, KERN COUNTY TAXPAYERS ASSOCIATION

Mr. Weygand stated that in addition to being the president of the Kern County Taxpayers Association, he is also the co-Chairman of the Vision Committee for the Downtown Business and Property Owners Association, and he also serves as a director for the Transportation

Foundation. He stated that the taxpayers association supports a system of taxation particularly sales tax provided that it is totally dedicated to the development of the high-speed rail system. He concluded by saying that all of the organizations he currently represents supports the Authority's efforts. Member Florez thanked Mr. Weygand for his support and stated that the Authority should talk to all of the taxpayers associations throughout the state.

BARBARA GOODWIN, COUNCIL OF FRESNO COUNTY OF GOVERNMENTS

Ms. Goodwin stated that they are looking forward to working with the Authority on alignment, route and station locations. She stated that they are pleased with the Valley 99 alignment, it offers Valley residents and the business community a fast travel modal choice currently not available. She stated that Fresno county is currently updating the general plans for both the metropolitan and the county of Fresno, addressing there localized growth issues for transportation needs. The high-speed line is an issue being address in these talks, the location of the line and the station. She added that as part of their general plans they are not only looking at the growth issue but also the protection of the agricultural lands. She stated that she hoped that the protection of the agricultural lands will be a priority of the Authority. The Fresno Council of Governments has established a technical working group to consider the high speed rail system as well as the local transportation systems. Mr. Goodwin summarized that the she wishes success for the Authority. Vice Chairman Graveline stated that he asked Ms. Goodwin, Ron Brummett and Member Florez to put together a stakeholders meeting for the valley, which should be noticed in the next thirty days.

JIM LARSON, TULARE COUNTY ASSOCIATION OF GOVERNMENTS

Mr. Larson stated that the Tulare County Association of Governments is extremely interested in the high speed rail project. He reiterated Ms. Goodwin's concern for the agricultural needs.

ROGER MACINTOSH, KERN COUNTY TRANSPORTATION FOUNDATION

Mr. Macintosh discussed the Kern County Transportation Foundation's interest in high speed rail. He stated that the Foundation has formed a high speed rail committee to work with other community groups in addressing local issues and looks forward to assisting the Authority in their public outreach efforts.

Educational Forum on Financial, Procurement and Institutional Issues:

KEITH CURRY, PUBLIC FINANCIAL MANAGEMENT, INC.

Mr. Curry discussed the issues that need to be addressed before going forward to the ballot measure and what financial options need to be evaluated. Some of the key topics he discussed were; updating of the cost and revenue forecasts, updating the financial model, evaluation of alternative base revenue sources, securing non-base revenue sources, developing a structure that minimizes financial risk in the market, and developing a credit structure. Member Tennenbaum asked if there is going to be an improvement district for those communities that will benefit from the enhancement of real estate. Mr. Curry stated that based on the ERA report prepared for the Commission that the value that was created was insufficient to fund the system. Member Tennenbaum stated that out of fairness to those communities that would not be benefiting from the service that the direct beneficiaries were paying more. Member Morshed stated that the information provided by Mr. Curry is only his firms idea of how to finance this project. Member Morshed added that part of the Authority's legislation authorizes the Authority to put the implementation plan together for the voters, a very important part of the implementation plan is the management, financing and bonding structure which are decisions the Authority must make before presenting the plan to the legislature and the voters. Member Florez asked what is the

basis of the cost estimate model in terms of design-build or private operator or the Authority. Mr. Curry stated that the model is silent on this, they have assumed an eight year construction plan and the model is sensitive to the construction period. Member Florez asked in terms of the model that it is a critical decision for the Authority not only because of cost but capitalized interest, will design-build defer any of this. Mr. Curry responded that design build gives you a greater confidence that you can compress the schedule. Mr. Curry's presentation material is available upon request.

GEOFFREY YAREMA, NOSSAMAN, GUTHNER, KNOX & ELLIOTT

Mr. Yarema discussed the components of the plan to be presented to the legislature and the voters, specifically the institutional, procurement, and the entitlement issues. He discussed the financing components such as seeking Federal support. He stated that the procurement component is extremely important in addressing how the work is going to be staged. He added that the right-of-way acquisition and condemnation will require a substantial amount of financing. He concluded by stating that whatever plan of finance is taken it will include a whole array of assumptions, those assumptions will address when the environmental process is going to commence, when the environmental process is going to be completed, the potential of delay due to the environmental process, at what point interagency agreements will be put in place, and the federal state cooperative agreements. All of these attributes of the entitlement plan will be the biggest risk the Authority will face. Member Tennenbaum asked Mr. Yarema to comment on the approval of using landing fees at JFK for the subway extension. Mr. Yarema stated that until the money starts flowing he will be more confident in commenting on the subject. He stated that there has been a favorable FCC decision, however he knows that there are certain airlines that are going to challenge the landing fees, and there has not been a notice to proceed given to the contractor.

STEVE KANTOR, O'BRIEN PARTNERS, INC.

Mr. Kantor discussed his firms experience with the various transportation financing plans. He stated that based on his firms past experience a key element in preparing a solid financing plan requires input from the advisory committees. The membership in the advisory committees should include the investor community. Mr. Kantor added that one of the biggest hurdles faced by the Authority is that the financial goals need to be articulated. Member Florez asked for Mr. Kantor's viewpoint regarding the TIFIA program in developing the financing plan. Mr. Kantor stated that the in the long run the TIFIA program will be an active and viable financial source. Member Florez asked Mr. Kantor what his opinion was on bringing in underwriters early in the process. Mr. Kantor stated that with a project of this magnitude that the underwriters should be involved in an advisory capacity but they should be used with caution.

JULIA SYLVIA, FRANDZEL, SHARE & ROBBINS

Ms. Sylvia discussed her law firms experience with various financing plans. She stated that federal finding is a viable option for this project. She added that the most important element of this project is the public outreach effort.

RICHARD MUDGE, APOGEE RESEARCH/HAGLER BAILLY

Mr. Mudge discussed the challenges faced by large projects such as the high speed rail project. He stated that economic models work well on small projects however they lack benefit for larger long term projects. He stated that the financing plan for this project will require a very diverse and creative of revenue sources and that the Authority should minimize the public contribution and maximize user fees. He suggested that the legal aspect be involved early in the process to

assist in the drafting of the plan. Member Florez asked Mr. Mudge about different financing models available. Mr. Mudge stated that the economics need to be looked at to see who is going to benefit from this project, and use this information to lobby to acquire funding from the federal government. Member Florez asked what Mr. Mudge's view on public/private partnerships and design/build. Mr. Mudge replied that the design/build will be required to undertake a project of this size, because it reduces the absolute costs as well as the uncertainty. Member Morshed stated that this project will not be up and operational for ten to fifteen years however it will benefit the State for decades to come, how do you quantify these benefits when they are so far off into the future. Mr. Mudge stated that models can be developed to project out into the future but at some point the public will not believe it, and that cost/benefit analysis should not be used for projects like this because it is a biased tool.

DOUG AUSLANDER, SALOMON SMITH & BARNEY

Mr. Auslander discussed process of developing a viable plan of finance. He stated that there are a number of challenges and risks that need to be addressed, such as, right-of-way, environmental issues, and project completion issues. He added that there are four areas of focus; 1) Review of inputs (costs, construction schedule, revenue), 2) Value of revenues, 3) Determine "Base Case" feasibility, and 4) Stress test the financing plan. Member Florez asked about the advantage of having an underwriter involved early in the process. Mr. Auslander stated that the underwriters are complimentary to the Financial Advisors, the underwriters are in the capital markets which brings real world, real time experience. Mr. Auslander's presentation material is available upon request.

PUBLIC COMMENT

Joseph Thompson - Transportation Attorney, commented on various aspects of the planning and development of HSR.

John Shields - Private Citizen, commented on the financing model and the public outreach in areas not directly benefited by the HSR.

Curtis Neil - Private Citizen, commented on the station location and location of the Head Quarters of HSRA.

Jess Ortiz - Mayor of Arvin, commented on the need for the HSR in the central valley not only for transportation but also for the environment.

Patrick Sweeney - Citizen, commented on the need for the HSR system and the fare structure.

DETAILED FINANCING PLAN RFP

Vice Chairman Graveline stated that the "Detailed Financing Plan" RFP needs to be released. Mr. Leavitt stated that at the April 29th public meeting the staff was directed to begin the RFP process to hire a team or teams of advisors, and suggested that the Vice Chairman appoint a couple of members to monitor this process. Member Morshed asked for clarification regarding team or teams, does this imply there will be multiple contracts. Mr. Leavitt stated that in the Cambridge Systematics report it stated team or teams of advisors allowing the Authority the flexibility of having one or more contracts. Member Morshed stated that a single contract is preferable due to the difficulty of getting contracts approved through the state process and the managing of the contracts. Member Florez asked Member Tennenbaum what his opinion was on having the team driven by Financial Advisors with underwriters or should it be only Financial

Advisors. Member Tennenbaum stated that he would like some input from the underwriters, however it might not be advisable to have the underwriters involved at this point. Member Florez motioned that the RFP exclude the underwriters from the RFP, however they are encouraged to take on an advisory role. Member Tennenbaum seconded and the motion was unanimously approved.

SCHEDULE OF THE NEXT MEETING

Vice Chairman Graveline stated that the Authority has scheduled a trip to the NorthEast Corridor on June 17th, however there will be conducting a meeting on the morning of June 17th in Los Angeles.

FINAL COMMENTS

Vice Chairman Graveline and Member Florez thanked the City of Bakersfield for their gracious hospitality.